

# Understanding Taxes



Theme 1: Your Role as a Taxpayer

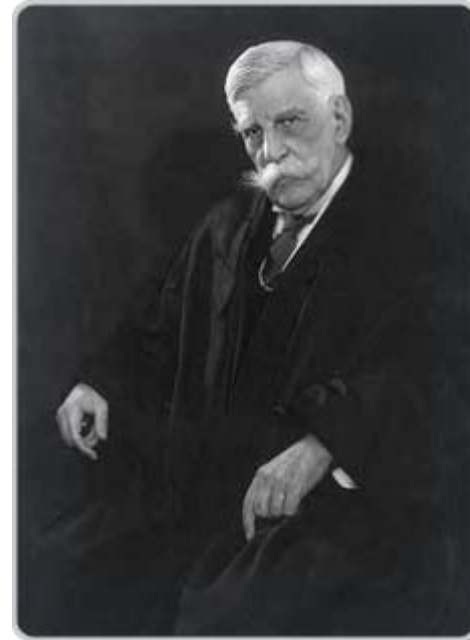




## Theme 1: Your Role as a Taxpayer

*“Taxes are what we pay  
for civilized society.”*

– Oliver Wendell Holmes, Jr., 1904





## Theme 1: Your Role as a Taxpayer

# Taxes Fund Public Goods and Services

Financial Aid

Social Services

State and  
Local Police

Health Care for Elderly

National Defense

Public Education



## Early Taxes

- Cooking Oil, Foreigners, Slaves (Ancient Egypt)
- Sales, Inheritance, Imports, Exports (Ancient Rome)
- Beards, Beehives, Boots, Souls (Russia, 1702)
- Bachelors (England, 1695; Missouri, 1820)







## The Power to Collect Taxes

- American Revolution caused debt
- Tax was necessary to pay debt
- Article 1, Section 8 of the U.S. Constitution granted Congress power to tax

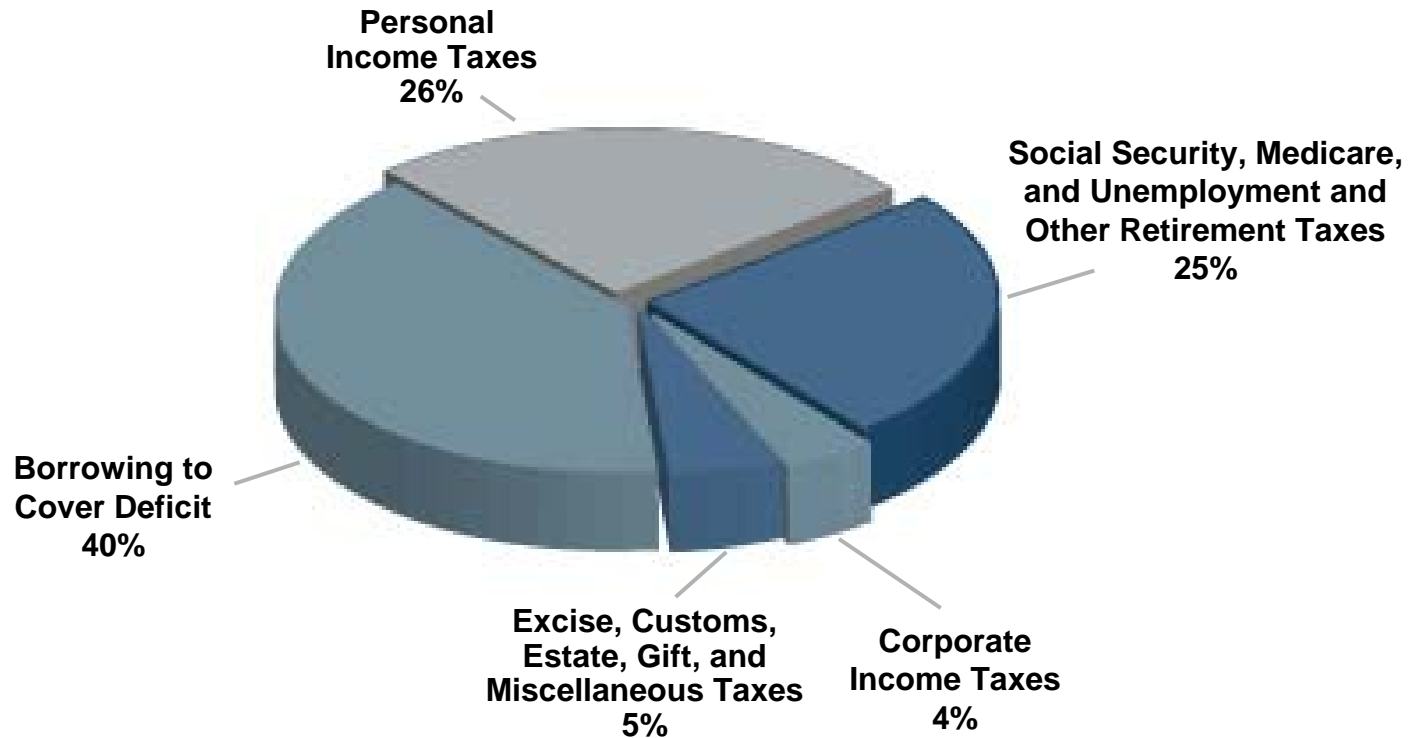


*The U.S. Constitution gives Congress power to collect taxes*



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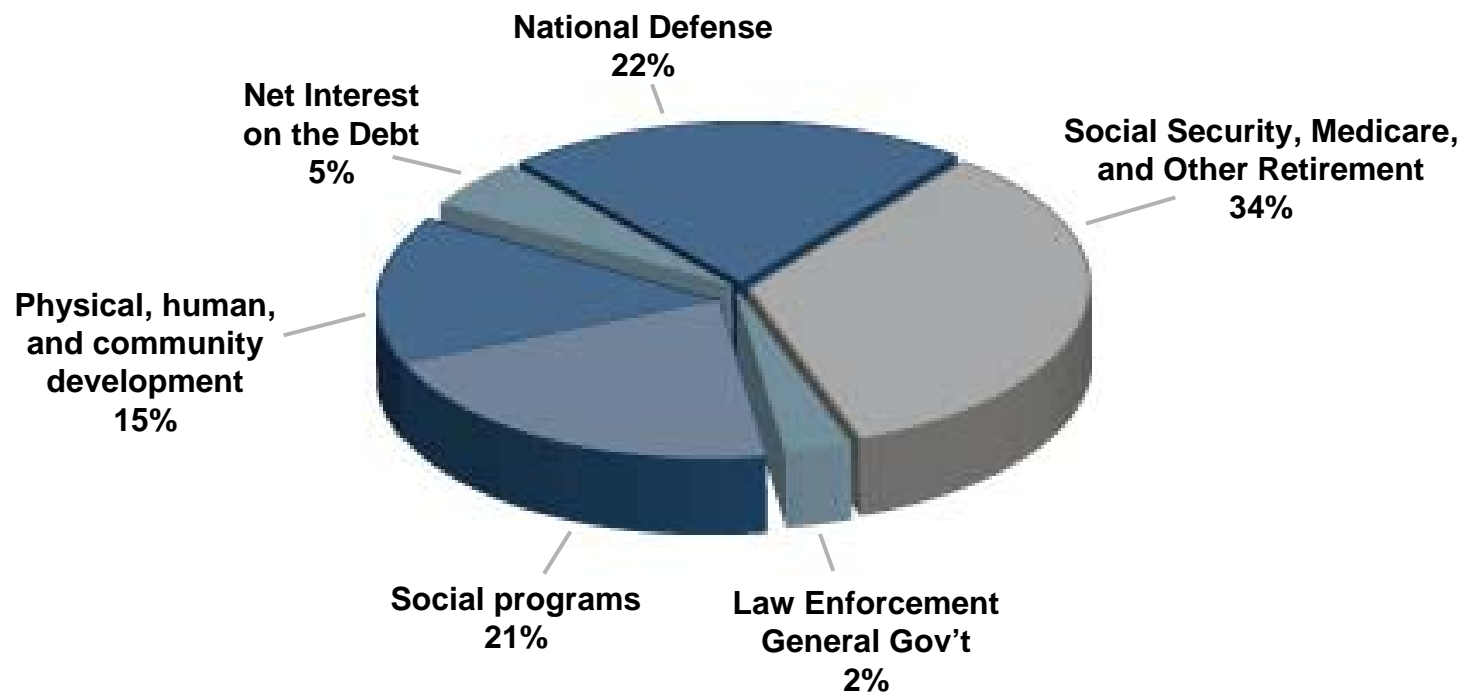
# The Federal Government Dollar- Where It Comes From





## Theme 1: Your Role as a Taxpayer

### The Federal Government Dollar – Where It Goes

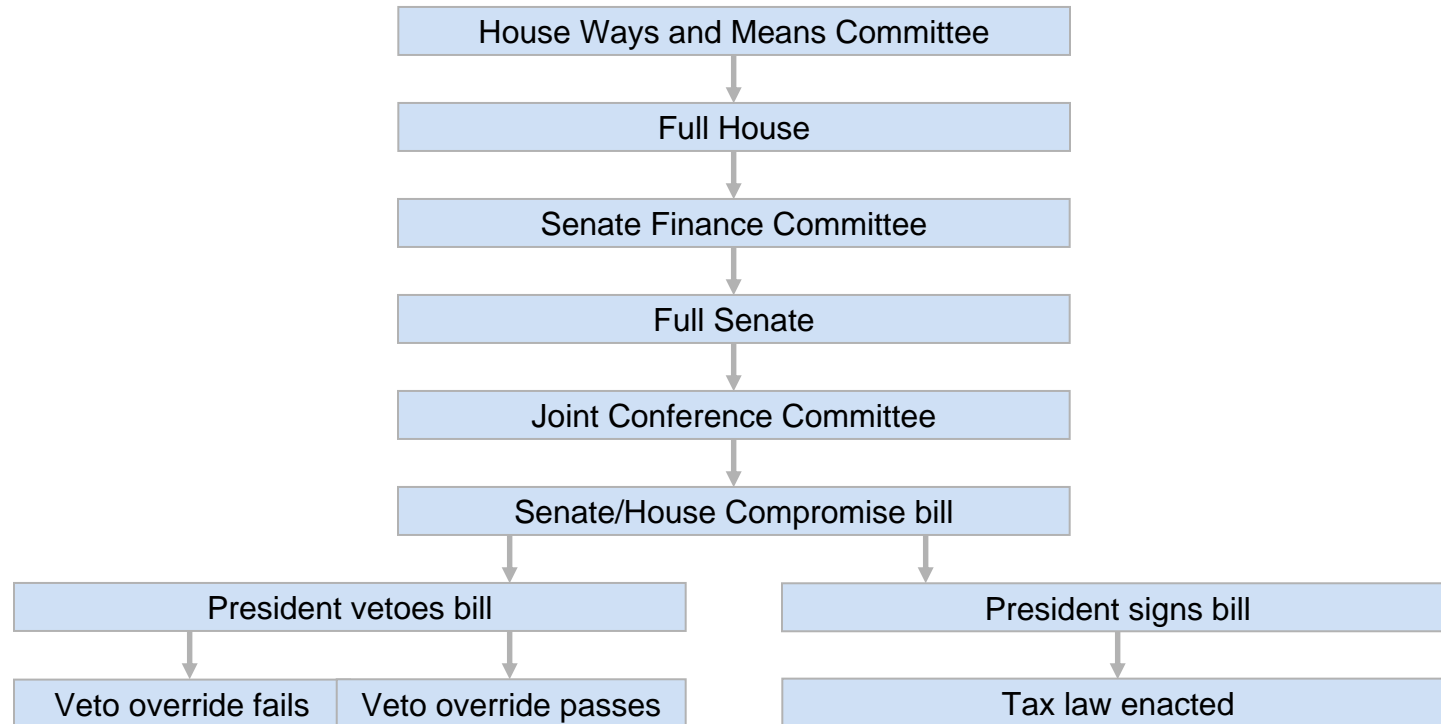


The percentages for federal spending do not total 100% due to rounding.



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# How Taxes Evolve







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### Voluntary Compliance

Each person is responsible for filing a tax return





## Tax Avoidance versus Tax Evasion

- Tax Evasion: Failure to pay legally due taxes
- Tax Avoidance: Legal means of decreasing your tax bill



## Taxpayer Rights

- Information on taxpayer returns is private
- Taxpayers have the right to appeal an IRS decision





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*“The income tax law is a lot of bunk. The government can’t collect legal taxes from illegal money.”*

– Al Capone

